

American Recovery and Reinvestment Act Investments in Economically Distressed Counties in Washington State

Summary: The Recovery Act requires that in selecting projects to be funded by federal stimulus dollars, priority be given to “economically distressed counties.” This is one of several considerations that states must address, including assisting those most impacted by the recession; investing in transportation projects with long term economic benefits; and selecting projects that can be completed within three years.

Of the projects selected by the Governor and Legislature:

- Per capita spending in the state’s 26 federally-defined economically distressed counties is \$135 per person, compared to \$54 per person in the state’s 13 non-economically distressed counties. Total spending for these 26 counties was approximately \$214 million, or 44% of the total.¹
- The federal definition of economically distressed is based on personal income data from 2006, as well as unemployment data covering the past 24 months. However, it is important to consider a broader range of factors to assess to the recession’s impact on workers.
- To supplement the federal definition, WSDOT identified counties that fell in the bottom quartile of the state, both in increase in unemployment and decline in retail sales between December 2007 and 2008. These five counties received approximately \$245 million in Recovery Act funding, or 51% of the total. Per capita spending for these five counties is \$61 per person.²

Did Washington State meet the intent of the Recovery Act?

Yes. Although the Recovery Act does not specify any specific targets for assisting economically distressed counties or those most impacted by the recession, spending in economically distressed counties, \$135 per person, well exceeds the statewide average of \$74 per person.

What are the goals of the American Recovery and Reinvestment Act?

In the Recovery Act’s introduction, its purpose includes the following five goals:

- (1) To preserve and create jobs and promote economic recovery.
- (2) To assist those most impacted by the recession.
- (3) To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- (4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.

¹ NOTE: The total used to calculate percentages does not include the \$12 million in cable median barrier and rumble strip “buckets.”

² NOTE: Clark and Cowlitz met the definition of “most impacted,” as well as the federal definition of economically distressed.

(5) To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

What other considerations are cited in the Act for selecting highway projects?

The Act states that *“in selecting projects to be carried out with funds apportioned under this heading, priority shall be given to projects that are projected for completion within a 3-year time frame, and are located in economically distressed areas.”*

What is the definition of “economically distressed”?

The federal definition of “economically distressed,”³ is based on a county having either:

- per capita income of 80 percent or less than the national average; or
- an unemployment rate one percent greater than the national average for the past 24 months.

The federal personal income data being used for this assessment is out of date, representing 2006 figures, while the unemployment data is an average of the past 24 months.

How many economically distressed counties are there in Washington?

There are twenty six counties in Washington that meet this set of criteria (see map on page 4)

How did these counties fare in funding distribution?

On average, per capita spending for these 26 counties was \$135 per person. This compares to \$54 per person in the 13 counties not meeting the federal criteria.

Is “economically distressed” the same as “those most impacted by the recession”?

The definition of “economically distressed” is not the same as “most impacted by the recession,” a group specifically called out as one of the intended beneficiaries in the bill’s introduction. WSDOT worked with lead state economists to develop expanded analytical tools to provide a more inclusive and broader view of the recession’s impact. Based on these discussions, WSDOT selected two key indicators for this analysis in addition to the federal distressed definition:

- change in unemployment numbers (employment/job loss)
- change in county taxable retail sales dollars (retail sales loss)

Assessing these indicators more fully capture’s the recession’s effect on both individuals and businesses, and also provides a more current economic analysis.

³ Per section 301 of the Public Works and Economic Development Act of 1965

What did the results WSDOT's expanded analysis of "most impacted by the recession" find?

WSDOT assessed the change in unemployment between December 2007 and December 2008, and ranked the 10 counties (worst 25%)⁴ with the greatest net decrease. A similar analysis was performed for the decline in county taxable retail sales. In order to meet the expanded definition of distressed, a county had to be in the 10 worst in each of these measures. Using this analysis, WSDOT added five counties to the federally-defined list of 26 distressed counties:⁵

- King: unemployment up 23,510 individuals (27% of statewide total), retail sales down \$541M; (41% of total)
- Snohomish: unemployment up 11,740 (13% of statewide total), retail sales down \$248M, (19% of total)
- Pierce: unemployment up 10,700 (12% of statewide total), retail sales down \$200M, 5% of total)
- Spokane: unemployment up 5,830 (7% of statewide total), retail sales down \$85M, (6% of total)
- Kitsap: unemployment up 2,300 (3% of statewide total), retail sales down \$75M, (6% of total)

Combined, these five counties account for 62% of the state's increase of 87,680 individuals in unemployment between December 2007 and December 2008, and 87% of the state's decline of \$1.3 billion in taxable retail sales.

How did these counties fare in funding distribution?

The five counties added by WSDOT received approximately \$245 million, or \$61 per person.

⁴ WSDOT selected 10, as this represents approximately the bottom quarter of Washington's 39 counties.

⁵ Both Cowlitz and Clark met the federal definition of "economically distressed" and were also among the counties "most impacted by the recession." They are not included in the calculations for "most impacted." Clark: unemployment up 11,280 (13% of total), sales down \$93.8M (7% of total); Cowlitz: unemployment up 2,190 (2.5%), sales down \$33.3M (2.5%) of total.

Economically Distressed and Most Impacted by Recession Counties

